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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

JUL 31 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	CC Docket No. 01-140 ✓
	)	
Bell Atlantic Telephone Companies	)	Transmittal Nos. 1373 and 1374
Revisions in Tariff FCC Nos. 1 and 11	)	
	)	
Verizon Telephone Companies	)	Transmittal Nos. 23 and 24
Tariff FCC Nos. 1 and 11	)	
	)	

**WORLDCOM OPPOSITION TO DIRECT CASE**

WorldCom, Inc. (WorldCom) hereby submits its opposition to Verizon's Direct Case in the above-captioned proceeding.

Input Prices

The first flaw in Verizon's Direct Case is that Verizon has failed to provide the "sources of the data used to derive the 'material cost' of each hardware and plug-in item that factors into the total material investment estimate."<sup>1</sup> While Verizon has provided source data for some types of equipment, the source for the material cost for most types of equipment is a manufacturer's "power pricing model."<sup>2</sup> Verizon does not describe the data, assumptions, or methodology on which this model is based. Most importantly, there is no evidence that the prices computed by the manufacturer's pricing model reflect Verizon's

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<sup>1</sup>Bell Atlantic Telephone Companies Revisions in Tariff FCC Nos. 1 and 11, Order Designating Issues for Investigation, CC Docket No. 01-140, released June 26, 2001, at ¶ 21.

<sup>2</sup>See, e.g., Verizon Direct Case, Attachment 2, Tab C/3 (New England cost study), Assumption 7.

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actual cost for the specified equipment, including any applicable discounts, rather than “list” prices or prices specially generated for regulatory cost modelling purposes.

*EF&I Factor*

Documents submitted with Verizon’s Direct Case show that the EF&I factor of 2.7852 does not accurately represent the costs of engineering, furnishing and installing the equipment used to provide DC power to collocators.<sup>3</sup> Moreover, these documents show that Verizon has double-counted by including freight costs (which would be reflected in the EF&I factor) in the “material” cost for “conduit/emergency lights” (line 36 on Massachusetts Workpaper 1.0, page 3).<sup>4</sup> At a minimum, the Commission should prohibit such double-counting. Finally, the Verizon EF&I factor is only a snapshot of installations in a given year and is therefore not necessarily representative of the costs incurred in providing DC power to collocators; for example, few of the DCPR entries are for generators, the largest cost item in Verizon’s cost study.

*Central Offices Supporting Collocation Arrangements*

Verizon’s cost study computes a regional-average DC power cost by weighting “metro,” “urban,” “suburban” or “rural” costs by access lines. The Commission should require Verizon to revise its cost study to weight the zone costs using the unit of demand for the service in question, i.e., Amps. If such demand data is not available, then collocators or collocation arrangements are a reasonable proxy for weighting each cost

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<sup>3</sup>Id., Attachment 2, Tab C/3, Attachment 5.

<sup>4</sup>Id., Attachment 2, Tab C/3, Assumption 11.

zone. Verizon's suggestion that demand for DC power will grow more rapidly in rural areas is purely speculative, and should not be permitted as the basis for ratemaking.

*Building and Land Investment Factor*

The Commission should disallow Verizon's land and building factors. First, Verizon has failed to provide any of the DC power-specific land and building cost information requested by the Commission.<sup>5</sup> Second, Verizon has failed to explain how it was able to isolate only the "land & building investment associated with central office equipment"<sup>6</sup> from other land and building investment. Third, Verizon's claim that there is no double-counting between the land and building factor and other collocation charges is incorrect. Since the numerator in the land and building factor calculation represents the "total" land and building investment associated with central office equipment,<sup>7</sup> the factor necessarily includes land and building investment that is already being recovered through Verizon's charges for floor space.

*Annual Cost Factors and Overhead Factor*

Verizon's cost model computes the total cost by applying both an overhead factor and a series of annual cost factors (ACFs) to the power, land, and building investment. Because many of the costs that are reflected in the overhead factor are also reflected in Verizon's ACFs, Verizon's methodology results in a significant degree of double-counting. First, Verizon's land and building factor, together with the associated land and building

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<sup>5</sup>Designation Order at ¶ 41.

<sup>6</sup>Verizon Direct Case, Exhibit E at 1.

<sup>7</sup>Id.

ACFs, recovers much of the general support facility (GSF) revenue requirement typically recovered through an overhead factor. Second, Verizon's "administration" ACF captures other costs that are normally recovered through an overhead factor,<sup>8</sup> such as the marketing and customer services expenses in accounts 6611, 6612, 6613, and 6623, and corporate operations expenses in accounts 6724, 6726, and 6727.<sup>9</sup> Because Verizon has included many GSF, marketing, customer service, and corporate operations costs as "direct costs," there are few costs that remain to be considered "overhead." In this respect, Verizon's cost study suffers from the same flaw as the CBT cost study that the Commission rejected in the Physical Collocation Tariff Order.<sup>10</sup> Verizon should adjust its ACFs or its overhead factor in order to eliminate double-counting.

*Non-Recurring Charge Augmentation Fee*

Verizon's Direct Case confirms that it would be unreasonable for Verizon to apply the tariffed augment fees to DC power rearrangements. First, Verizon's cost of reconfiguring DC power and other maintenance expenses are already reflected in the maintenance ACF (and are therefore already recovered through the recurring rate for DC power and through other rate elements). Second, the Direct Case shows that the existing augment fees were not designed to reflect the costs of DC power reconfigurations. For

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<sup>8</sup>See, e.g., Ameritech Operating Companies et al., Order, CC Docket No. 93-162, Appendix C, lines 198-245, released June 9, 1993.

<sup>9</sup>Verizon Direct Case, Exhibit F at 4.

<sup>10</sup>Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport, Second Report and Order, 12 FCC Rcd 18730, 18767-18770 (1997).

example, the \$963 charge in the Verizon-South tariff reflects the costs of installing or replacing collocator equipment in a virtual collocation arrangement, and was based on a cost study that assumed 12 hours of labor time<sup>11</sup> -- far more than would be required to reconfigure a DC power arrangement.

*Terms and Conditions*

Verizon offers no reasonable basis for the requirement that collocators submit an annual written statement signed by a “responsible officer of the company” that attests that the customer is not exceeding the total load of power ordered on its expanded interconnection application. Such a “responsible officer” attestation is burdensome, is without parallel in the access tariffs of Verizon or any other ILEC, and serves no apparent purpose. The customer’s general obligations and the specific terms and conditions governing the customer’s collocation in Verizon central offices are already spelled out in Verizon’s expanded interconnection tariff. No additional “certification” requirements are needed in order to ensure that the customer is aware of these requirements.

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<sup>11</sup>Verizon Direct Case, Attachment 9, Bell Atlantic Transmittal No. 826, D&J at 7 & Workpaper 1.

Conclusion

For the reasons stated herein, the Commission should require Verizon to reduce its DC power rate to reasonable levels by correcting (and eliminating double-counting from) the EF&I, land and building, ACF, and overhead factors.

Respectfully submitted,  
WORLD COM, INC.



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July 31, 2001

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on July 31, 2001.



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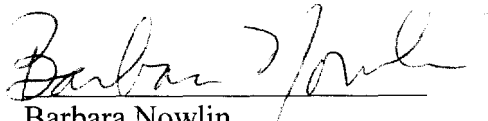
## **CERTIFICATE OF SERVICE**

I, Barbara Nowlin, do hereby certify that copies of the foregoing Opposition were sent via first class mail, postage paid, to the following on this 31<sup>st</sup> Day of July, 2001.

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